

The **EDUCATION FUND** accounts for taxes collected and allocated for all public school operations within Shelby County. Education is clearly the number one priority for the County and its primary expenditure challenge. The current budget reflects the impact of significant changes to the structure and funding for education within Shelby County that have occurred over the past several years. The County remains committed to providing excellent educational opportunities for every child.

Background of Structural Changes to County Schools



As a result of the Memphis City School Board's decision to surrender its charter in 2011, the Memphis City School (MCS) system merged with the Shelby County School (SCS) system effective July 1, 2013. On July 16, 2013, the six municipalities surrounding the City of Memphis within Shelby County voted to create independent school districts. Those districts began operations on July 1, 2014. The SCS consolidated district existed only for Fiscal 2014 and received 100% of all school funding from the County. Beginning with FY15, county education funds are allocated to all seven districts, as determined by the State of Tennessee attendance ratios.

Achievement School District (ASD) and Charter Schools

ASD and charter schools continue to shape the funding provided to Shelby County Schools. The **Achievement School District (ASD)** is a State operated school district created to transform the bottom 5% of schools with continually low performance into the top 25% of schools within five years. **Charter Schools** are public schools operated by independent, non-profit governing bodies. Tennessee state laws¹ require that the per pupil funding amount follows the student as the student transfers to other districts or public charter schools. In addition, state law² has loosened restrictions related to family income and caps on the number of charter schools permitted in a district, leading to increased enrollment in charter schools over the past 10 years. As a result, Shelby County Schools has experienced a declining enrollment trend as the ASD and charter school enrollments have increased. Funding provided to SCS is effectively less than prior years as funding is diverted to ASD and charters.

Annual Budget Development and Approval

The County has taxing authority for education funding and responsibility for approving the total amount of County funds provided for all public schools within Shelby County. The total funding level for education is included in the County's annual adopted operating budget. The School Board for each school district determines how the funds will be used to best accomplish their mission of educating students.

The annual budget for the Shelby County School system is developed, reviewed and approved by the Shelby County Schools Board of Education, and then submitted to the Shelby County Commission for funding review and approval. The Shelby County government does not review or approve the individual budgets for the six municipal school districts; the governing body of each municipality provides budget reviews and approval for that school district.

¹ T.C.A. 49-13-112 and T.C.A. 49-1-614

² T.C.A. 49-13-113

Funding Sources for Education

State Funding

The State of Tennessee contributes the majority of funding for the Shelby County Schools and municipal district budgets through the Basic Education Program (BEP). BEP is a Tennessee state funding formula used to calculate and distribute funding to the local education agency (LEA) for each school district on a per pupil amount based on prior year enrollment. Tennessee law [T.C.A. 49-13-112 and T.C.A. 49-1-614] requires LEAs to allocate a per pupil amount of all local, state, and federal funding received to charter schools and the Achievement School District (ASD), respectively. The distribution of state BEP funds to charter schools passes through SCS, except for their capital outlay. ASD receives BEP directly from the State.

Local Funding

The amount appropriated in the Education Fund is the total amount that will be paid to all school systems within Shelby County for operations during the fiscal year. Adopted FY19 funding of \$427,259,000 represents about 33% of total countywide expenditures. This is an increase of \$7,788,000 (1.9%) over the prior year funding level.

Education currently receives 60% of all current **Property Taxes** collected by Shelby County, based on FY19 Adopted allocation of the total tax rate of \$4.05:

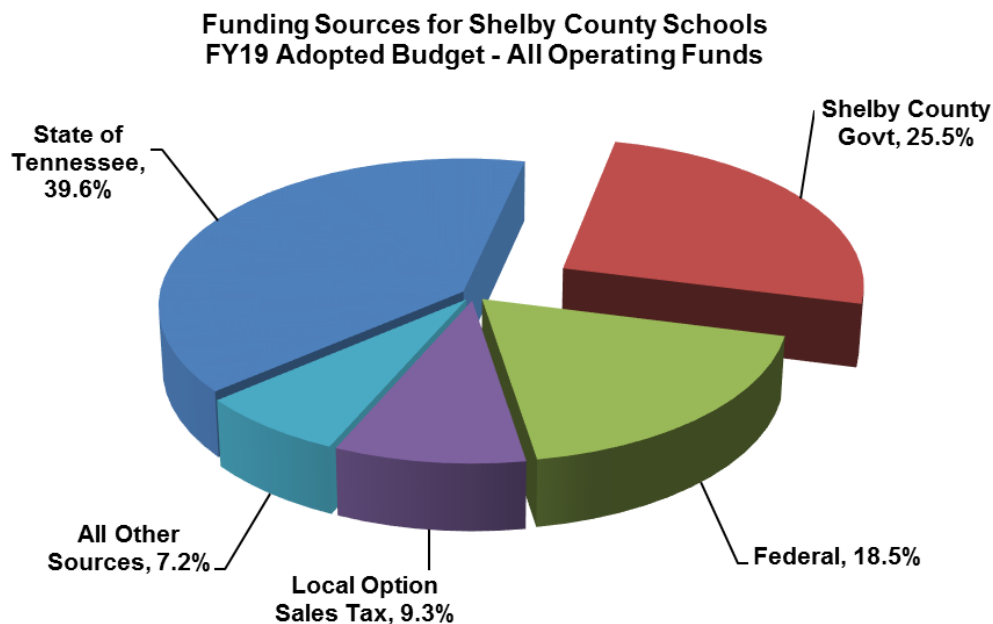
Property Taxes Allocated to Schools

	<u>Tax Rate</u>	<u>% of Total</u>
School Operations	\$1.94	47.9%
School Debt	0.50	12.3%
Total School Funding	<u>\$2.44</u>	<u>60.2%</u>

In addition to property taxes, the schools receive the following Shelby County tax revenues as a funding source:

- **Wheel Tax** - 100% of the Wheel Tax has been designated for school operating costs for FY19. Prior to FY17, up to 50% was designated for operations with the remainder used for repayment of school debt.
- **Payment In Lieu of Taxes (PILOT)** - collected from MLG&W and other property tax exempt entities. 50% of payments received from MLG&W are allocated to education operations. Other PILOTs are allocated on the same basis as property taxes or entirely for school debt per contractual agreement.
- **Marriage License Privilege Tax** –fee collected for issuance of marriage licenses; 100% is allocated to education.
- **County Local Option Sales Tax** - the first one-half of the 2.25% rate collected is designated for Education, as required by State law. This revenue is received by the Trustee and paid directly to the schools; it is not reflected in the Education Fund budget.

The graph below shows state and other funding sources for SCS based on the FY19 Adopted Budget:



Weighted Full-time Equivalency Average Daily Attendance (WFTEADA) Allocation

Weighted full-time equivalency average daily attendance or “WFTEADA”, serves as the basis for allocation of education funds within the county. This is a calculation of the average of the highest two months of the first three months of attendance for grades K-12, multiplied times a unique weight for each grade level as provided by the State Department of Education.

Prior to the merger effective in FY14, the total amount budgeted for education by Shelby County was distributed only between the City and County school systems based upon the weighted ADA ratio. Beginning with FY15, county education funds are now distributed to seven independent school districts based on weighted attendance. These ratios are reviewed annually each spring and certified by the Tennessee State Department of Education. The budgeted allocation to each school system is based on the rate in effect at the time of proposed budget development. When the actual weighted ADA ratios are determined near the end of the school year, actual payments are adjusted to July 1 of the current year based on that revised rate.

Historical weighted ADA allocation data for the past four years is provided in the following table, reflecting the structural changes since 2015:

Weighted Average Daily Attendance Allocations

Fiscal Year	ADA Attendance	County Schools	Municipal Schools	Total
2019	2018	77.65%	22.35%	100.00%
2018	2017	77.65%	22.35%	100.00%
2017	2016	77.92%	22.08%	100.00%
2016	2015	78.62%	21.38%	100.00%
2015	2014	79.25%	20.75%	100.00%

Since FY15, weighted ADA distributions have been calculated for the seven independent school districts on the basis of attendance. Distributions since FY17 are shown below:

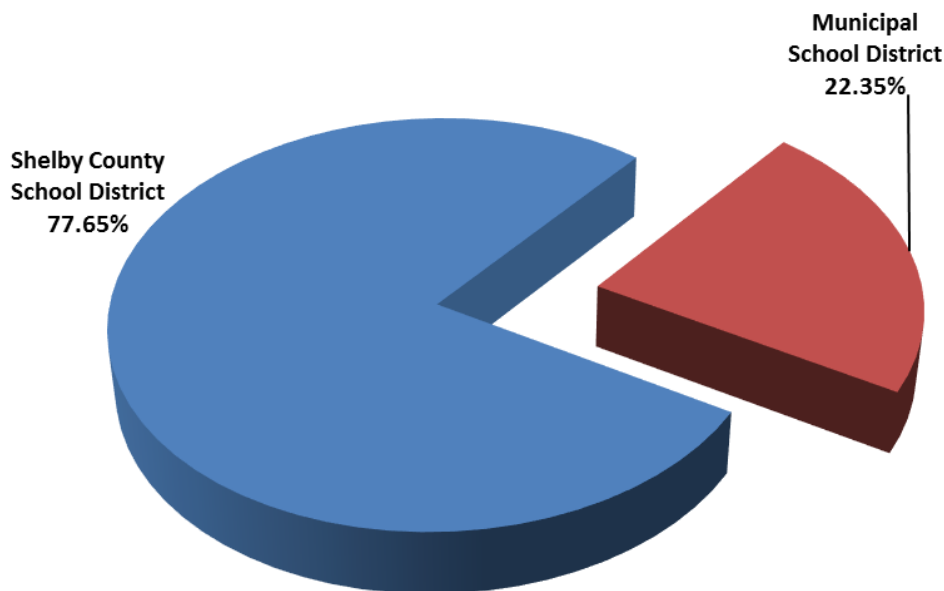
Weighted ADA Allocations to School Districts within Shelby County ⁽¹⁾

District:	FY17 Actual		FY18 Actual		FY19 Budget ⁽²⁾	
	Amount	ADA %	Amount	ADA %	Amount	ADA %
Shelby	324,934,594	77.92%	325,719,232	77.65%	331,766,614	77.65%
Arlington	15,054,080	3.61%	13,590,860	3.24%	13,843,192	3.24%
Bartlett	25,312,538	6.07%	25,965,255	6.19%	26,447,332	6.19%
Collierville	24,186,609	5.80%	24,874,630	5.93%	25,336,459	5.93%
Germantown	17,305,936	4.15%	17,449,994	4.16%	17,773,974	4.16%
Lakeland	2,710,568	0.65%	4,530,287	1.08%	4,614,397	1.08%
Millington	7,506,189	1.80%	7,340,742	1.75%	7,477,032	1.75%
TOTAL	417,010,516	100.00%	419,471,000	100.00%	427,259,000	100.00%

(1) Weighted full-time equivalency of average daily attendance (WFTEADA) as certified by State.

(2) FY18 Final WFTEADA is the basis for the FY19 budget estimates. Actual FY19 payments will be based on ADA rates as certified by the State in the spring of 2019.

**WFTEADA Allocation
Shelby County Schools vs. Municipal Schools**



The Shelby County Commission has committed to appropriating additional funds during FY19 for non-recurring expenditures to the Board of Education for Shelby County Schools in an amount not to exceed \$6,600,000 upon determination of surplus funds available in the Shelby County Education Fund at the close of FY18.

Maintenance of Effort

As specified by Tennessee Code Annotated (TCA) Section 49-3-314, the County is required to maintain a level of funding to schools that is at least equal to the amount provided in the prior year budget – on either a total budget or per pupil basis. A period of three years is allowed for a post-merger funding level re-set of this “Maintenance of Effort” (MOE) requirement. FY2017 funding established the MOE standard for future years. FY2019 increases the MOE.

**County Funding for Education Operations
FY2005 - 2019**

Fiscal Years	Funding Amount	Increase Over Prior Year	%	Other Funding
FY2005	\$325,859,655			
FY2006 - FY2007	\$360,019,604	\$ 34,159,949	10.5%	
FY2008 - FY2013	\$361,288,000	\$ 1,268,396	0.4%	
FY2014	\$381,288,000	\$ 20,000,000	5.5%	\$ 3,476,432 ¹
FY2015	\$381,288,000	\$ -	0.0%	\$ 1,800,000 ²
FY2016	\$391,288,000	\$ 10,000,000	2.6%	
FY2017	\$419,471,000	\$ 28,183,000	7.2%	
FY2018	\$419,471,000	\$ -	0.0%	
FY2019	\$427,259,000	\$ 7,788,000	1.9%	

¹ Non-recurring appropriation for "Life Safety" capital expenditures from MLG&W settlement funds. ADA distribution not applicable for FY14 (single school district).

² Non-recurring appropriation for a Facilities Study from General Fund Balance. ADA distribution applied for all seven districts.



Shelby County Funding for Education ADA Per Pupil Basis 2015-2019

Fiscal Year	ADA* Attendance	% change from prior	Shelby County Funding	Per pupil Funding	% change from Prior ²
¹ 2015	133,199	-2.2%	\$ 381,288,000	\$ 2,863	2.2%
2016	129,817	-2.5%	\$ 391,288,000	\$ 3,014	5.3%
2017	128,163	-1.3%	\$ 419,471,000	\$ 3,273	8.6%
² 2018 Estimated	128,021	-0.1%	\$ 419,471,000	\$ 3,277	0.1%
³ 2019 Projected	127,068	-0.7%	\$ 427,259,000	\$ 3,362	2.6%
Avg annual % change over 5 yrs		-1.4%			3.8%
Total change over 5 yrs		-4.6%	\$ 45,971,000	\$ 499	17.5%

¹ Excludes non-recurring appropriation for a Facilities Study from General Fund Balance.

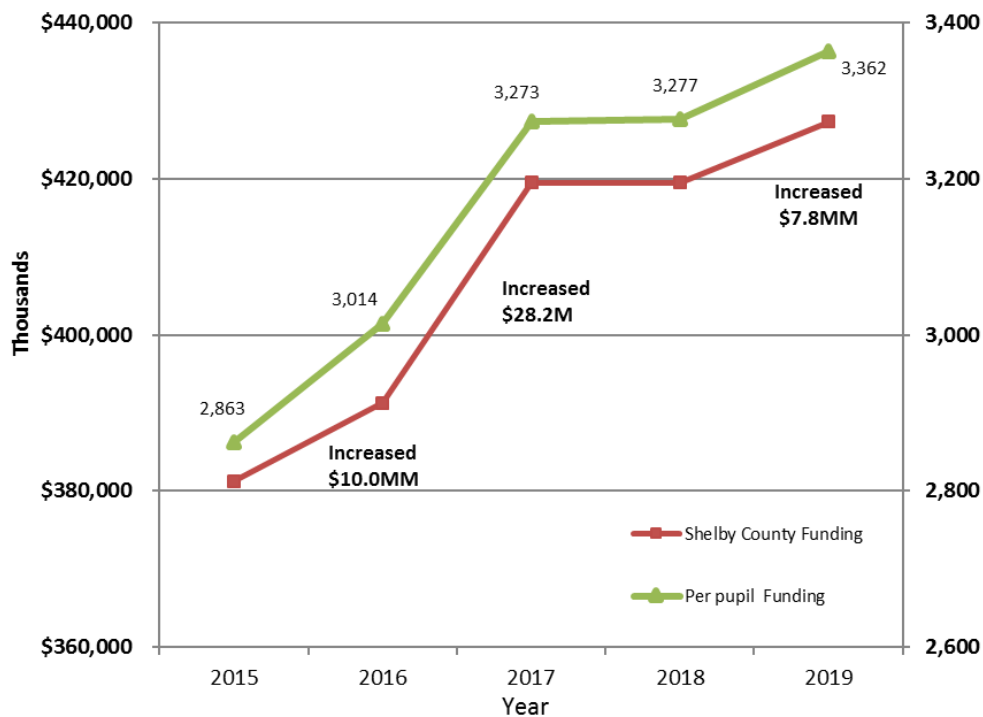
² ADA figures unavailable at time of publication. Estimated based on known ASD enrollment.

³ Projected ADA based on average decline excluding ASD losses in FY2015-2017.

*ADA is unweighted Average Daily Attendance; excludes ASD attendance.

*Source: Annual Statistical Report issued by the Tennessee Department of Education, 2015-2017.

Total and Per-Pupil Funding Trends



Over past five years attendance decreased -4.6% while total funding increased \$46.0MM and funding per pupil increased 17.5%

Capital Improvement (CIP) Funding

Background

Funding for Capital Improvement Projects was deferred during the transitional years of school consolidation followed by the “de-merger” of the County into seven independent districts. A request by the consolidated Shelby County School District (SCS) for capital improvements was appropriated by the County Commission in FY14 in the amount of \$52,161,500 that included projects for schools that would later become part of the municipal districts. CIP funds were not appropriated for FY15, pending the results of a facilities assessment of all schools in the SCS district with a long term plan for repairs and potential school closures as requested by the Shelby County Commission. Upon the completion of the facilities assessment in FY16, the Shelby County Commission appropriated additional CIP funding in the total amount of \$33,013,635. Towards the end of FY17, \$23,400,000 was appropriated and very quickly followed by an appropriation in FY18 of \$69,278,047.

Education CIP Funding Process

Funds for CIP expenditures are allocated to the school districts according to prior year ADA ratios. Those amounts are distributed directly to the municipal school districts without Shelby County Government project approval; the governing body of each municipality provides CIP project approval for that school district. SCS CIP funds are distributed on a reimbursement basis for projects approved by the Shelby County Commission.

Funding

For FY19, County Commissioners approved total allocations in the amount of \$116,281,967 for capital funds for all school districts as a response to a capital improvement request made by SCS. Of this amount, \$25,989,020 is the combined total provided to all other school districts within Shelby County based on the Weighted Full-time Average Daily Attendance, as required by the County by law when providing funds to the Shelby County School District.

Shelby County generally issues debt for capital improvements for schools. The majority of the County’s current long term debt obligations are related to school construction required to accommodate growth in eastern Shelby County during the 1990s. For FY19 the County expects to spend about \$114 million for debt service related to schools – an amount that represents 8.8% of total County expenditures.

CIP ORIGINAL APPROPRIATIONS - SHELBY COUNTY SCHOOLS FY14-FY19

FISCAL YEAR	SCS DISTRICT	% of TOTAL	MUNICIPAL SCHOOL DISTRICTS	% of TOTAL	TOTAL BUDGET
FY2014 *	\$ 52,161,500	100.0%	-	0.0%	\$ 52,161,500
FY2016	26,163,306	79.3%	6,850,329	20.7%	33,013,635
FY2017	18,397,080	78.6%	5,002,920	21.4%	23,400,000
FY2018	53,981,454	77.9%	15,296,593	22.1%	69,278,047
FY2019	90,292,947	77.6%	25,989,020	22.4%	116,281,967
Total	\$ 240,996,287		53,138,862		\$ 294,135,149

* Municipal school districts had not yet been created in FY14. However, \$4.8 million was allotted to facilities within those areas.

Account Detail

All Funds

Education

Acct	Description	FY 15 Actual	FY 16 Actual	FY 17 Actual	FY 18 Amended Budget	FY 19 Adopted Budget
4001 - Property Taxes-Current		(358,788,390)	(360,523,663)	(364,132,775)	(367,023,001)	(374,614,000)
4002 - Property Taxes-Delinquent		(13,873,640)	(9,883,043)	(10,107,701)	(10,098,000)	(10,059,000)
40 - Property Taxes		(372,662,030)	(370,406,706)	(374,240,476)	(377,121,001)	(384,673,000)
4105 - MLG&W In Lieu Of Taxes		(2,911,771)	(3,557,065)	(2,600,305)	(3,631,000)	(3,750,000)
4108 - Exempt Property In Lieu Of Taxes		(4,396,777)	(3,693,037)	(3,612,608)	(3,631,000)	(3,593,000)
4116 - Community Redevelopment TIFF		(94,547)	(100,861)	(130,502)	(100,000)	(188,000)
4130 - Marriage License Privilege Tax		(51,305)	(53,637)	(53,176)	(55,000)	(55,000)
4160 - Wheel Tax		(1,171,569)	(13,476,694)	(33,873,450)	(34,933,000)	(35,000,000)
41 - Other Local Taxes		(8,625,970)	(20,881,294)	(40,270,041)	(42,350,000)	(42,586,000)
Revenue		(381,288,000)	(391,288,000)	(414,510,516)	(419,471,000)	(427,259,000)
8943 - Arlington Municipal Schools		12,910,066	13,812,467	15,054,080	13,590,860	13,843,192
8944 - Bartlett Municipal Schools		21,567,854	22,890,348	25,312,538	25,965,255	26,447,332
8945 - Collierville Municipal Schools		20,456,899	21,559,969	24,186,610	24,874,630	25,336,459
8946 - Germantown Municipal Schools		15,285,211	15,964,550	17,305,936	17,449,994	17,773,974
8947 - Lakeland Municipal Schools		2,145,293	2,347,728	2,710,568	4,530,287	4,614,397
8948 - Millington Municipal Schools		7,125,437	7,082,313	7,506,189	7,340,742	7,477,032
8955 - Shelby County Schools		303,597,240	307,630,625	324,934,594	325,719,232	331,766,614
89 - Affiliated Organizations		383,088,000	391,288,000	417,010,516	419,471,000	427,259,000
Affiliated Organizations		383,088,000	391,288,000	417,010,516	419,471,000	427,259,000
Expenditures		383,088,000	391,288,000	417,010,516	419,471,000	427,259,000
9601 - Transfer From General Fund		(1,800,000)	0	(2,500,000)	0	0
96 - Operating Transfers In		(1,800,000)	0	(2,500,000)	0	0
Operating Transfers In		(1,800,000)	0	(2,500,000)	0	0
Net Transfers		(1,800,000)	0	(2,500,000)	0	0
Education Total		0	0	0	0	0